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Power Relations, Coalitions, and Rent Control:

Reforming The Military's Natural Resource Levies

Collin Grimes and David Pion-Berlin

A fault line in the often-tense domestic politics of post-authoritarian states is the issue of eliminating compulsory contributions to armed forces revenue that are imposed upon natural resource producers. The levies, often extracted from export earnings, provide the armed forces with sizeable off-budget revenue, the allocation of which is not transparent and not subject to civilian authorization, oversight, or scrutiny. This reduces the government's leverage vis-a-vis the armed forces by blunting the impact of withholding or augmenting defense budgetary allotments, while at the same time enhancing the military's autonomy and, indeed, its ability to ignore civilian authorities altogether when it comes to fiscal affairs. This has consequences not only for civilian control over the military, but also for distributional tradeoffs between defense and social spending on health and education. These secretive levies can also be unsettling to neighboring states who may feel threatened by the lack of information on the funds and how they are being spent.¹

Military levies are a global issue, spanning four continents and ten nations. Chile, Ecuador, Peru, Bolivia, Venezuela, Indonesia, Myanmar, Armenia, Chad, and Nigeria have imposed military levies, with the success of efforts to overturn them varying across time and space. This is an important distributional struggle in countries where natural resource export earnings are often the main source of government income,² and from which militaries derive large amounts of revenue. For example, in Ecuador, oil revenue comprised 10 percent of the military's budget in 2003 and 2004 despite low oil prices.³ Between 2000 and 2016, copper revenue averaged 29 percent of the military budget in Chile, peaking at 53 percent in 2006.⁴

Despite their apparent importance, there has been little systematic comparative, empirical analysis of these taxes and the political efforts to repeal them, even as demand by civil-military scholars for studies in the political economy of civil-military relations has increased with Third Wave democratization.⁵ Why do some countries successfully reduce or eliminate these levies while others fail?

This article argues that differing configurations of relative civilian and military coalitional strength contribute to the divergent outcomes. Neither civilians in government nor military elites can act alone to transform their interests into policy. As with all would-be change agents and status quo defenders, their success depends crucially on the strength of their alliances. In the contest to shape legislative outcomes in their favor, each side benefits from the convergence of their positions and those of potential allies within parties, the congress, and/or the executive branch. When civilian coalitions are stronger, levy reform becomes possible; when military coalitions have the advantage, levy reform is stalled.

Which side emerges with the more formidable coalition depends on several factors. In a democratic era, not all militaries can rely on praetorian pressures to get the policies they desire. They must count on closer links with political parties, and not all are either willing or able to so align. Parties that have an affinity for the armed forces must at the same time see an electoral advantage or at the very least no electoral disadvantage to pushing for measures that would enhance military revenues at the expense of governmental leverage. Then they must find the votes needed to prevail in the congress. So too must the incumbent president on the civilian side, who attempts to enlist her party's support in the congress to achieve either simple or qualified majorities. Short of the necessary votes, that same party will have to widen its scope of support by forging alliances with other parties, and the ability to do so is affected by the degree of party fragmentation in the political system. These coalitional battles will be analyzed through a comparative study of Ecuador and Chile.

Why Do Resource Levies Matter?

A combative issue in numerous countries is the abolition of the required contributions to armed forces revenue that are imposed upon oil, gas, and mineral producers. The levies protect the military's financing in an environment of competing claims on scarce resources by locking in its entitlement to public funds. Since the revenue is off-budget, the expenditures are seldom accountable to government oversight, much less to the public or international community.

Natural resource levies that help finance militaries have implications for democratic civilian control and governance, fiscal policy, socio-economic development, and regional security. Their analysis lies at the intersection of civil-military relations, political economy, and peace and security studies. First, because natural resource levies generate off-budget revenue, they enhance military autonomy and diminish governmental control of the budget. Revenue from the levies grows the military's ability to self-fund, while undercutting the government's power-of-the-purse. This directly translates into a loss of civilian control, as policymakers' ability to use the official budget as a form of leverage over the armed forces is diminished, even nullified.

Second, levies for militaries undermine a nation's pursuit of its fiscal policy goals. Select natural resource producers must pay a fixed share of their export revenues to a

fund, with the transfer sum varying with changes in production levels and international commodity prices.⁶ Countries may be forced to set a floor to annual transfers, guaranteeing the armed forces a steady flow of income that withstands the instability associated with the ebb and flow of the market. While reassuring to the military, this hurts policymakers who want and need greater fiscal flexibility to either reduce military expenditures, help stem inflation and balance the budget, or shift budgetary resources to non-defense-related areas that could generate more employment.⁷ Policymakers need annual, discretionary capabilities to make fiscal decisions based on macro-economic criteria, and not to be locked in by immutable transfer sums.

Third, there are longer-term development priorities to consider. For one, revenue diverted from enterprises to the military cannot be reinvested in the enterprises themselves, regardless of the economic condition or strategic or national importance of the firms. For another, once transferred, the revenue can lose its social value quickly. Where resources are scarce, a peso spent on military armaments could mean one less peso spent more wisely on poverty alleviation.⁸ In a classic “guns vs. butter” tradeoff, important social programs could lose out to foreign arms purchases facilitated by ample revenue from natural resource levies.

Military levies impact security relations by creating uncertainty among rival states. Because so much of the tax transfer process is undisclosed, other states are in the dark as to exactly how much revenue is being generated and how much has accumulated, let alone how the funds are being spent.⁹ Neighboring states that have had conflicts in the past want reassurances regarding defense expenditures in order to avoid security dilemmas that lead to arms races in the future. In fact, in parts of Latin America, countries are attempting to trade in hostilities for security cooperation that has been solidified through ever deepening budgetary transparency and information exchange.¹⁰ This has helped resolve many border disputes, including those which drove military levies in the first place as mechanisms used to project military capacity and instill uncertainty among rivals. As geo-political threats are abated, the justification for military levies should weaken. In short, inquiries into military levies have wider implications that should animate scholarship in several subfields.

Take political economy, for example. In recent decades, greater interest has been generated in the political economy of civil-military relations, as analysts are increasingly asked to “rethink the relationship between military and economy.”¹¹ This is because the tensions, cleavages, and alliances surrounding military political economics can alter the distribution of power, while military economic interests shape military behavior, affecting not only military professionalism, but also democracy and the economy.¹² In this political economy-centered view of soldier-politician relations, military levies are uniquely vexing because they can undermine development, democratic control, fiscal responsibility, and security while proving remarkably resistant to change.¹³

Analyses of military levies also shed light on the political economy of entitlement reform. Like pensions and welfare, military levies are an entitlement. Curtailing such entitlements legislatively requires overcoming the opposition of powerful vested

interests. Yet those who would reform the military levy face distinct challenges that stem from limits to transparency and information. Legislative actors, driven to maximize political and electoral dividends, want some certainty about the impact of reforms before they throw their support behind them. Less is known about the impact of abolishing the military levy, however. The payments are off-budget, bureaucratic reluctance to divulge information is magnified due to security concerns, and there are few civilian experts or groups to turn to for counsel because the military has a near monopoly on expertise and information within the defense ministry (and may use secrecy laws to withhold it). Ultimately, this lack of transparency makes it harder to build the support needed to defeat opposition, even if the political process is otherwise the same as that of curbing other entitlements.¹⁴

In sum, Alfred Stepan's claim made thirty years ago regarding debate over military industry reform holds true in the contemporary debate over military levy reform: "It becomes an issue that requires separate analytic and political attention."¹⁵ However, despite all of this, there has been little systematic empirical analysis of military levies and reform efforts. In this article, we begin to rectify this shortcoming in the literature.

Civil-Military Power Relations in Emerging Democracies

Militaries stand to reap exorbitant sums from natural resource levies and thus cling tenaciously to their continuation. Civilians who want to reduce or eliminate the levies will inevitably come up against military resistance, sparking a power struggle. Power is well-known to civil-military relations scholars, whose "dominant approaches . . . have pointed to crucial relations of power between civilian and military actors."¹⁶ In the Latin American past, power was expressed as an unfettered zero-sum contest,¹⁷ with groups confronting each other nakedly without regard for rules of the game. The military used to win those power contests, inevitably giving rise to disturbing forms of intervention, up to and including coup d'états.¹⁸ In the contemporary democratic period, military praetorianism is less common because the armed forces cannot easily afford to disregard democratic norms of behavior by running roughshod over legitimately elected politicians or the institutions they serve. They risk losing respect, not to mention resources, to other competing groups in an era when politicians, minding their electoral fortunes and careers, care much less about defense than about economic development, poverty, and education. As Wendy Hunter persuasively argued in her book, *Eroding Military Influence in Brazil*, self-interest motivates politicians to stand up to the military where doing so is vital to securing resources necessary to please their constituents.¹⁹

In the contemporary era, civil-military power struggles increasingly occur within democratic settings. Informally, the armed forces must find non-coercive ways of widening their support and have no choice but to elicit the cooperation of civilians who are critical to the legislative crafting of policies that affect their vital interests.²⁰ Power relations during open parliamentary debate are not the simple byproduct of latent influences dating back to the military's control over the democratic transition.²¹ As the

impact of a transition weakens over time, the advantages gained by the military during the tenuous early democratic period—when institutions were fragile and the rules of the game not yet established—diminish.²² As democratic norms take over and solidify, politicians, political parties, and congresses are strengthened while the politics of intimidation (coercion, threats, etc.) become less tenable. The armed forces can no longer rely on their own institutional power; without the aid of others, including executive branch allies, lobbyists, and, most of all, political parties within the congress, their clout will dissipate. At the same time, they cannot be seen openly and formally courting parties, since they are bureaucratically beholden to the executive branch and its chain of command. Accordingly, the military has to be discreet and will pin its fortunes on the prospect that political parties and other political actors will adopt positions which converge with its own.

Likewise, civilians cannot take their own political power for granted.²³ Political capital notwithstanding, presidents cannot assume their party and party allies will fall faithfully in line with their policy preferences. Party fragmentation may render true civilian coalescence very difficult. The more political parties there are in congress, the harder it is for political leaders to cultivate alliances of different parties. Multipartyism creates more competing demands that political agents must satisfy, as well as greater potential for unyielding differences in ideology and discipline. Moreover, a segment of the party establishment may align with the military, thereby weakening the incumbent's grip on erstwhile party allies or potential allies. Thus, the president must attempt to craft a solid coalition of his own if his policy preferences are to prevail.

Coalition Formation under Multiparty Presidentialism

Coalitions play a hero's role in legislative relations in multiparty presidential regimes. In such systems, parties are less likely to enjoy a majority in the legislature, prompting government and opposition alike to search for votes from outsiders.²⁴ Yet neither president nor opposition can take backers for granted, as different parties have different political and programmatic interests and may see no benefit to helping others. Assembling and then cultivating interparty coalitions in the legislature mitigates the problem.²⁵ Multiparty coalitions internalize disputes and facilitate the creation of clear, coherent, encompassing legislative agendas, then coordinate the joint action of distinct legislative constituencies. These coalitions transcend differences and behave like they are single, catch-all parties.

Of course, viable multiparty coalitions do not emerge everywhere. Successful arrangements tend to arise where parties are disciplined and there is ideological affinity between one internal faction and another.²⁶ Ideological compatibility (not sameness) reduces the political and electoral costs of entering relationships, while unity from partner to partner holds alliances together once they have begun to emerge. Both Chilean coalitions—the leftist, civilian-allied *Concertación* and rightwing, military-linked *Alianza*—are “connected” coalitions, as they consist of parties with contiguous

ideological positions.²⁷ Additionally, the members of the parties in the two blocs vote together, with coalition membership dictating policy choice. There is little overlap in preferences between the coalitions.²⁸ As a result, Chile has for decades been argued to be a *de facto* two-party system.²⁹

Coalition formation is less successful, and legislative voting less reliable, where ideology and discipline vary more from group to group. To create workable arrangements in these conditions, leaders must often reconcile radically opposing views and absorb the political and electoral costs. Coalitions are fragile and fleeting where they do materialize. Member parties more readily abandon coalition leaders on key votes, or abscond from the bloc altogether. Coalition brokers must continually attract distant new partners, while ensuring that their vital horse-trading does not induce the desertion of other, often weakly-committed actors. In Ecuador from 1979 to 2008, where a dozen far-flung parties regularly fought for seats, lack of discipline and polarization profoundly affected elite behavior and strategies.³⁰ To the extent that merely “gathering legislative support was the nightmare of every Ecuadorian president,” forging stable multiparty coalitional arrangements was even more elusive.³¹

Method and Cases

This study of military levy reform efforts deploys process tracing within the framework of a small-n comparative analysis. We have selected two “most similar” cases, where values on the independent variable, coalitional strength, differed dramatically. In Ecuador (1979–2008), the military coalition failed to develop and the levy reform effort succeeded while in Chile (1990–present), the pro-military coalition held together and the levy reform effort failed. These two South American cases match other variables that may have plausibly influenced the outcomes. The Ecuadorian and Chilean militaries have long been considered two of the most politically powerful institutions in South America. Both countries had bouts with authoritarian rule, where the armed forces emerged from office in strong positions, having presided over economic gains. As a result, the militaries were able to exert great influence over the transitions and beyond. They also retained large natural resource rents and lavish budgets in economies that were similar in that they were reliant on natural resource production and exports.

While the most similar systems design allows us to identify a causal candidate (coalitional strength) for levy reform or failure, it goes no further. To establish whether differences in coalitional strength actually shaped military levy reform outcomes, we used within-case process tracing, identifying a continuous chain of events, building sequential and contiguous developments into an explanatory narrative.³² This is an exercise in “fleshing out a causal story . . . linking cause and outcome in a series of interlocking and interacting parts.”³³ The Chilean narrative traces the intermediate steps between the original formation of the pro-military coalition and the persistence of the Copper Law. The Ecuadorian narrative traces the steps between the military’s failure to develop party alliances in the face of successful civilian efforts to do so with the defeat of the oil levy in

2008. Qualitative data were gathered and triangulated from newspapers and periodicals, reference materials, government and NGO documents, and academic secondary sources.

Ecuador

In Ecuador, the military has retained outsized influence in the years since the democratic transition in 1979. For decades, the armed forces appeared to be the dominant economic actor, with dozens of enterprises, large oil rents, and lavish budgets at their disposal. In 1989, ten years after the first civilian president had “agreed to guarantee the armed forces the institutional autonomy that civilian leaders had repeatedly denied and that the military now viewed as a precondition for their withdrawal,” two 1970 Supreme Decrees underpinning the military’s oil levy were embedded in the 1989 PETROECUADOR law.³⁴ One provision forced the transfer of 8 percent of oil export revenues to the military, while the second required the state to divert almost 50 percent of the royalties from PETROECUADOR-Texaco. For years, democratic governments could not reduce prerogatives like these because attacks on military interests would likely be met with intervention. As Anita Isaacs observed: “Just as oil provided a powerful inducement to intervene in 1972, the fact that the military now has greater institutional interests at stake, and can justify the defense of those interests in terms of the national interest, may ultimately place civilian rule at more serious risk.”³⁵ Nonetheless, in 2008, leaders succeeded where their predecessors had failed: they terminated the military’s oil levy.

Unlike before de facto rule, the armed forces did not try to elicit the cooperation of parties upon retreating to the barracks. Prior to 1972, they had allied themselves with the *Partido Liberal Radical Ecuatoriano* (PLRE), one of two vehicles representing Ecuador’s elite. The post-1978 system, however, was formed by splits away from the two main parties, who had fallen victim to personal rivalries and ideological fissions.³⁶ Further, identifying with the parties did not come naturally to a military that had defined itself politically in opposition to them.³⁷ Instead, the military armed itself with executive defense officials. Before leaving power, it had amended the presidential charter to reserve the defense portfolio for the highest-ranking officer and thus maintained a cabinet presence that amounted to a safeguard designed to protect institutional autonomy.³⁸ Military defense ministers enjoyed statutory authority and an agenda-setting role. Until 1998, military defense ministers also had control over discretionary expenditures that served to buy the loyalties of legislators and facilitate the approval of the budget.³⁹ Equally vital was the threat of force itself. Disapproval was voiced in the streets, as in the 1990s when armed leaders mobilized their units to Quito’s avenues to rattle sabers in opposition to privatization plans.

Meanwhile, civilian executives fought unsuccessfully to bolster their legislative hand. The president’s party never won more than a plurality of seats due to fragmentation of the vote across a dozen relevant parties (in 1995 Ecuador had 6.6 effective parties). Alliance politics thus became central to passing reforms, with a working coalition often requiring more than two parties. Yet vast ideological distance spanned across the left- and rightmost parties, and the parties scattered in between were

minimally connected. The division of seats across so many disparate groups ruled out ideological compatibility between coalition partners.⁴⁰ Moreover, deputies from rightist and critical “swing” centrist and populist parties operated with few constraints.⁴¹ Party leaders often lacked electoral or legislative leverage over the rank-and-file, while elite struggles inside parties routinely led to dissident factions defecting from the party on key votes, or peeling off to form entirely new parties. Compounding the challenges were the weak ideological attachments of centrist/populist parties and all parties’ unwillingness to support the government.⁴²

By the turn of the new millennium, civilians were voicing their desire to take the “historic and courageous step” of eliminating the military’s levy, which promised to “make military expenditures transparent for the first time” as well as make it possible to focus more on the national priority of “education, health, and social projects.”⁴³ In opposition, the armed forces chiefs argued that preserving the levy would avoid what they called the politicization of the military budget. The stage was set for debilitating extralegal clashes.

In December 1999, against the wishes of the Congress and the military high command, *Democracia Popular* (DP) President Jamil Mahuad (1998–2000) let the second levy provision expire and proposed military budget cuts and IMF-styled adjustments. Mahuad had failed to remove the levy in late 1998 after confronting a stalwart Congress. This time, resultant protests grew and climaxed in Mahuad’s ouster when a faction of junior officers led by Colonel Lucio Gutiérrez, citing the levy’s end as a reason for acting, joined with indigenous protesters to overthrow Mahuad and institute a junta headed by Gutiérrez.⁴⁴ Chief of the Military High Command General Carlos Mendoza, unable to accept the junta or military rule and aware of mounting international criticism and threats of sanctions, dissolved the junta and installed Vice President Gustavo Noboa.⁴⁵ The military then got its oil money, and more: President Noboa (2000–2003) issued a decree reimbursing the military 150 million USD for royalties lost under the expired provision, even though the military had only earned 80 million USD under it in 1998.⁴⁶

In November 2000, Noboa introduced a bill to permanently replace the second provision of the military levy in full. The Congressional Economic Committee reacted by advancing its own plan whereby 45 percent of the royalties from PETROECUADOR would go to the military through 2003, with no possibility for renewal,⁴⁷ a sign of the changing context. First, leftist parties had increasingly positioned themselves in opposition to the military’s economic privileges. Second, constitutional change in 1998 had abolished discretionary funds for the defense minister and other ministers, diluting the military’s ability to deliver patronage to members of legislative committees. Finally, the military’s standing had diminished and coercion had become less viable after the coup in December 2000.⁴⁸ Consequently, the bill’s main sponsor, Vice President of the Congress Antonio Posso of the indigenous-led leftist *Movimiento de Unidad Plurinacional Pachakutik* (MUPP), could leverage the strength to prevail upon the Executive, and the bill was approved. Noboa, with no party supporters, relented and signed it.⁴⁹

Still, the levy had not been defeated. The first provision remained intact, and in the mid-2000s the tax kept generating tens of millions of dollars annually.⁵⁰ As it would not elapse, those who would curtail it would need to alter the statute, or pass a law dismantling military levies entirely. Noboa was unlikely to support either, however. Further, the pre-existing will in Congress to pursue radical reform was limited. Altogether, toppling the levy would require creating a coalition pro-actively assembled to dismantle that remote legal structure. These developments were not far off.

In the mid-2000s, several changes in the political environment further weakened the military within government corridors. Naturally, Noboa's military heir—*Partido Sociedad Patriótica* (PSP) former coup leader Lucio Gutiérrez (2003–2005)—left the military levy intact. Gradually, Gutiérrez's civilian successors were less lenient. The interim independent President Alfredo Palacio (2005–2007) did not target the levy.⁵¹ Socialist *Alianza PAIS* (AP) President Rafael Correa (2007–2017) did, first by appointing Ecuador's first civilian defense minister, Guadalupe Larriva.⁵² Her second in command, the vice-minister of defense, held a post also reserved for civilians only, and the minister's role shifted from advisor to executor of decisions and strategies.⁵³ Now the military no longer had the advocates in the cabinet that it had before when the defense portfolio was reserved for the highest-ranking officer.

Correa, who vowed to terminate levies and spend the savings on social programs, then secured approval to convene an assembly to rewrite the constitution. The military responded by looking to elicit some last-minute legislative support prior to the 2007 Constituent Assembly. It hoped to draw out the cooperation of the PSP, which Gutiérrez and sectors of the military had founded. Since PSP was expected to trail AP—which itself was unlikely to get a majority—the military also tried to align themselves with other parties. Yet the die had been cast. Years of honing its autonomy left the military with weak, if any, pre-existing party sympathies. Also, the PSP's own relations had collapsed. During Gutiérrez's term, the party had allied with both indigenous-led socialist and conservative parties, but antagonisms tore the axes apart and Gutiérrez's former supporters united to impeach him.⁵⁴ Thus, the military's efforts were too little, too late; it could not educe legislative allies.

Meanwhile, a coalition of indigenous and socialist leaders desirous of levy reform emerged. Before the 2007 Constituent Assembly election, many candidates defected from the Pachakutik Party—which had allied with the PSP before and after the 2002 election—to join Correa's AP. The coalition then won a majority (versus PSP's 7 percent) of seats, giving the bloc the power to dismiss Congress and assume legislative functions for the duration of the Assembly. The loose and diverse cast was hard to hold together, but Correa managed due to the ideological affinity among the coalition's socialist partners and his ability to centralize decision-making and issue instructions.⁵⁵ Equally critical to the success of the coalition was the election of reputable economist, and Correa's former Energy Minister, Alberto Acosta of the AP as Assembly President. Acosta set out “to construct a truly democratic society, underscored with the values of freedom, equality, and responsibility” in which “economic rationality would be reconciled with ethics and common sense.”⁵⁶ Acosta's message resonated with

indigenous leaders who imagined collective control over land and natural resources and whose support was critical to hold the coalition together. While the military seemed isolated, a new strength poised Correa and allies to annihilate the system of oil rents that since 1970 had let predatory interests plunder Ecuador's resource wealth.

In April 2008, the Assembly approved a law suppressing all oil funds, fiscal rules, and revenue earmarks. The Assembly then wrote oil levies out of the draft constitution, which was approved by the body in July 2008 and by voters with a 64 percent to 28 percent margin in September 2008. "The old structures are defeated," Correa declared.⁵⁷ Correa attributed the historic victory to the ascendancy of the coalition he assembled, saying: "If we wanted to change Ecuador, we had to win political power."⁵⁸

Chile

As of 2017, leaders in Chile had not successfully repealed the 1958 Copper Law, which forces the state copper company, *Codelco*, to turn over 10 percent of its annual export earnings to the military. When Chile transitioned from dictatorship to democracy in 1990, it seemed as if the armed forces held all the cards. The military, under General Pinochet's leadership, had left office strong, confident, and united. The military engineered a transition aimed at securing prerogatives and curbing the powers of the incoming democratic administration. The democratic government could not assert a stronger role in human rights, the management of defense policy, or military affairs because the military held tutelary-like powers. Claudio Fuentes summed up the balance of civil-military power this way: "If there is a country in which it seems almost impossible to develop civilian policies on military affairs, given the legacy of inherited legal constraints, that country is Chile."⁵⁹

During and after the restoration of democracy, the military equipped itself with civilian party allies. Its legislative bulwark was *Democracia y Progreso* (Democracy and Progress)—an alliance of the rightwing parties *Renovación Nacional* (RN), *Unión Demócrata Independiente* (UDI), and the smaller *Unión de Centro* (UCC). Together, the rightwing parties had organized the "Yes" campaign during the plebiscite of 1988 held to determine whether Chile's ruling president, General Augusto Pinochet, should extend his rule for another eight years. The parties would continue to closely identify with the military and outgoing Pinochet government.⁶⁰ *Democracia y Progreso* eventually became *Alianza por Chile*. *Alianza* was no less a stalwart proponent of preserving military economic interests.

Meanwhile, on the civilian side, the political axis centered on the *Concertación de los Partidos por la Democracia* (Coordination of Parties for Democracy), an alliance of center-left political parties originally formed to organize the "No" campaign during the plebiscite. This coalition included primarily the *Demócrata Cristiano* (DC) party and the left bloc consisting of the *Partido Socialista de Chile* (PS) and the *Partido por la Democracia* (PPD).⁶¹ Practically from its inception, the *Concertación's* platform included a call for reform of the Copper Law. In its view, dispensing with the military's punitive copper levy was essential to modernizing the state and economy. For twenty years, one *Concertación* administration after the next would float legislative proposals

designed to defeat the Copper Law. Each time, the civilian party coalition would either withdraw those proposals in anticipation of congressional defeat or submit bills that would fall short of the votes needed for passage.

Like his predecessors, President Ricardo Lagos (2000–2006) pledged to terminate the military's levy, and in July 2000, offered a constitutional amendment to abandon the Copper Law wholesale and substitute a new system for military procurement.⁶² This was as part of a much more ambitious, comprehensive set of proposed amendments to the Magna Carta designed to eliminate the authoritarian enclaves left over from the dictatorship. These amendments would not stand a chance of passing without support from the *Alianza*, since the seats held by the *Concertación* in the Senate always fell short of the qualified majorities necessary to pass constitutional reforms (see Table 1). The Copper Law required qualified majorities of four sevenths (57 percent) to change.⁶³ If the past were any guide, the military's political strength would again exhibit itself in the congress, resulting in certain defeats for the proposals.

However, by the end of the twentieth century, judicial events both abroad and at home and electoral calculations of political parties combined to alter the civil-military balance of power. Pinochet was arrested in London in 1998 on charges of gross violations of human rights, and he returned to Chile in 2000 mired in public disgrace. This constituted a watershed moment, not only for Chile's human rights policies but civil-military relations, in general. The European judicial action catalyzed change in Chile by deflating Pinochet's stature, which in turn reduced the military's political

Table 1 Civilian and Military Coalitional Strength in Chile, 1990–2014

Coalition	Year	Deputies			Senators		
		(n)	%	QM ⁽¹⁾	(n) ⁽²⁾	%	QM ⁽¹⁾
<i>Concertación</i>	1990	69	57.50	-1	22	57.89	0
	1994	69	57.50	-1	21	55.27	1
	1998	70	58.3	-2	20	52.63	2
	2002	62	51.67	6	20	52.64	2
	2006	65	54.17	3	20	52.64	2
	2010	57	47.50	11	20	52.64	2
	2014	67	55.84	1	21	55.27	1
<i>Alianza</i>	1990	48	40.00	5	16	42.10	1
	1994	45	37.50	8	15	39.47	2
	1998	47	39.17	6	17	44.73	0
	2002	57	47.50	-4	17	44.73	0
	2006	54	45.00	-1	17	44.73	0
	2010	58	48.33	-5	17	44.73	0
	2014	49	40.83	4	16	42.11	-1

(1) QM stands for qualified majority. For *Concertación* it is the number of votes needed to achieve 4/7th majority threshold necessary for passage (68/120 in Chamber, 22/38 in Senate); QM for *Alianza* is the number of votes needed to block formation of 4/7th qualified majority (53/120 in Chamber, 17/38 in Senate).

(2) From 1990 to 2006, 8 appointed "bionic" senators as well as former heads of state held senate seats.

Source: Authors compiled data from Servicio Electoral de Chile.

power and placed it on the defensive.⁶⁴ Meanwhile, political parties of the right were coming around to the realization that unless they began to put some distance between themselves and Pinochet's armed forces, they would never attract the more moderate Chilean voters whose support was vital if they were ever to become viable contenders for the presidency. Their electoral calculations prompted them to collaborate with *Concertación* to amend the 1980 constitution in ways that would solidify civilian control over the armed forces. Early in Lagos's term, the *Concertación* and *Alianza* coalitions each agreed to submit bills to eliminate most of the authoritarian legacies still embedded in the constitution.⁶⁵ These moves were seen by *Alianza* as remedies to its own retrograde, authoritarian image. Finally, on September 22, 2005, the constitutional amendments became law.

However, while the *Alianza* demonstrated a willingness to team up with *Concertación* to eliminate the constitutional military enclaves of power, it showed no such willingness when it came to scrapping the Copper Law. Why? The military natural resource levy spared the conservative political parties of the need to publicly justify huge levels of military spending.⁶⁶ The levy constituted an automatic transfer of copper export revenues from Codelco into military coffers that was hidden from public view, and that did not require congressional deliberation, scrutiny, or oversight. As a result, the military had been the annual recipient of hundreds of millions USD.⁶⁷ In the absence of the copper levy, the military's considerable financial shortfall would have to be compensated—either in whole or in part—through another funding mechanism undoubtedly tied to the national budget, which would set off a congressional debate about competing budgetary priorities,⁶⁸ forcing the *Alianza* parties to publicly defend either of two unpalatable remedies: huge tax increases to cover the shortfall or a sizeable redistribution of funds from social welfare, health, education, etc. to defense. Politically, that would have been costly for the *Alianza* parties, and so they continued to support the Copper Law, even as they moved decisively off their hardline, pro-military position on other issues.⁶⁹

For their part, the armed forces have been wary of subjecting defense expenditure decisions to annual congressional budget deliberations. They fear their revenues will be held hostage to what they deemed to be the narrow interests and misinformed views of legislators. Defense requires long-term planning and multi-year funding so that strategies can always be fulfilled even when politics complicates matters in the interim. The military does not trust the government to balance long-term defense needs with short-term social spending priorities. Accordingly, in 2009, when President Bachelet submitted to the Chamber of Deputies a bill to repeal and replace the Copper Law, the military objected. While the bill did call for twelve-year strategic plans and multi-year budgeting schemes, it did not go far enough, as far as the armed forces were concerned. It did not establish a funding floor, nor a binding commitment to four-year funding, instead subjecting defense to an annual discussion and reassessment, alongside all the other components of the national budget.⁷⁰ In this manner, defense could conceivably still get cut and long-term plans jeopardized in favor of social expenditures which reap powerful, short-term political dividends for congressmen. The *Alianza* coalition agreed with its military partner,⁷¹ and ultimately the bill languished, never to be voted on.

It would not have been expected that the *Alianza* Government of Sebastián Piñera (2010–2013) would take up the cause of dismantling the Copper Law, but in 2012, President Piñera submitted a bill that incorporated many of the same features found in Bachelet's 2009 bill, as well as new ones, including a role for the Congress in debates over strategic capabilities for defense. The context and incentives had begun to change. During the boom in copper and commodities, Codelco's payments to the military swelled to 1.2, 1.3, and 1.6 billion USD in 2009, 2010, and 2011, respectively.⁷² These staggering transfers abetted Codelco's mounting debts and a war chest for the military valued in 2012 at an estimated 4 billion USD.⁷³ Many wondered why the military should reap such a windfall, when other priorities were under-funded. Moreover, a spate of corruption allegations was surfacing, involving military officers, copper funds, and dubious purchases.⁷⁴ Defeating the Copper Law would mean a victory for transparency, making surreptitious financial transactions less likely. Piñera's bill sailed through the Chamber of Deputies, garnering ninety-one votes, twenty-three more than needed to satisfy supermajority requirements.⁷⁵ In the end, the rightwing *Alianza* senators parted company with both their president and their peers in the Chamber. They came out against the reform bill,⁷⁶ refusing to put it to a vote. Like so many military levy reform efforts before it, the bill entered legislative purgatory.

To date, the copper levy remains the law of the land in Chile, and it is quite possible that any bill introduced to reform or defeat it will meet the same fate as all those that have come before. The levy has, however, in recent years, survived by a hair's width, and while the military's coalition has held together, it is showing signs of fraying. Lawmakers from both coalitions are growing frustrated with the military's financing schemes and are concerned with Codelco's precarious financial state, as the firm finds itself squeezed by falling copper prices at one end and military levy obligations and miners' demands for higher wages at the other end. As a result, the government has been forced to inject hundreds of millions in capital (measured in USD) into Codelco⁷⁷ to keep the firm stable and to fulfill the company's military levy duties. In the midst of these economic woes, investigators uncovered a corruption plot dubbed "Milicogate," alleging that a group of officers absconded with funds from the Copper Law to contract for services (to repair military vehicles) between 2011 and 2013, which never took place.⁷⁸ The scandal re-launched an effort to start up congressional discussions on repealing the Copper Law. In May of 2016, the congress passed a measure making the Copper Law transparent for the first time in its history.⁷⁹

Repeated attempts at reform may reflect civilian beliefs that not too many additional lawmakers need to be won over to their side. From that perspective, the introduction of reform bills represented a deliberate strategy designed not in ignorance of the power differential, but in response to its potential openings.

Alternative Explanation: Inter-State Rivalries and Dispute Resolution

It was mentioned previously that the large and undisclosed nature of natural resource tax transfers made to the military designed to facilitate arms purchases can create

uncertainty among rival states. That, in turn, could lead to border disputes, even hostilities. In fact, some scholars argue that those border tensions give rise to military levies as effective mechanisms used to project greater military capacity and instill even greater uncertainty among rivals.⁸⁰ If that is so, then once border disputes are resolved, and geo-political tensions abated, the justification for those taxes should weaken, and their defeat made easier. Was that in fact the case with Ecuador and Chile?

In Ecuador, the military levy was justified from the start based on the country's longstanding border dispute with Peru. The two nations fought a war in July 1941 over contested territory that ended with a ceasefire and the signing of the Rio Protocol in January 1942. Nonetheless, the row was rekindled when Ecuador declared the treaty null and void, alleging that it had been signed under duress, when foreign troops occupied Ecuadorian soil. This position was resurrected by future governments who argued that the dispute posed grave dangers to the republic and helped to validate two secret laws in 1965 and 1970 that together allocated half of the state's oil royalty income to the military for arms purchases. Indeed, in the text of the 1970 law allotting 30 percent of royalties to the military, President José María Velasco Ibarra said the measure was needed to "protect and defend the nation's sovereignty."⁸¹ Security justifications gained still more traction when tensions with Peru erupted into the Cenepa War of 1995.⁸² Yet, despite a definitive peace agreement and border demarcation between the two nations reached in 1998, the military levy persisted. It was another ten years before the tax was finally defeated.

The Chilean Copper Law grew out of geopolitical disputes between Chile and Argentina regarding sovereignty over a set of islands within the Beagle Channel. In 1958, Chile constructed a navigational beacon on one of these islands, the Snipe, which the Argentines then destroyed, replacing it with one of their own, only to have that dismantled by the Chileans. The Argentines sent a destroyer which landed eighty marines on the island, triggering the deployment of Chilean naval vessels, as the two countries came close to blows. The crisis (but not the lingering geopolitical dispute) was temporarily resolved but not before the government of Carlos Ibañez enacted the Copper Law to raise funds to enlarge the Chilean fleet to better cope with future naval encounters with Argentina. The conflict was permanently resolved with the 1984 signing of the Treaty of Peace and Friendship between Argentina and Chile. The Treaty drew maritime boundaries which left the disputed Beagle islands (including Snipe) in Chilean hands. Despite the fact that the dispute which gave rise to the Copper Law has been settled, that Law remains in force.⁸³

The inter-state rivalry explanation for the fate of military levies does not measure up to the evidence. The dispute resolutions would have suggested levy reforms in both countries. In Chile, it has not occurred, and the timing of reform in Ecuador suggests that the inter-state dispute resolution with Peru had nothing to do with it.

Conclusion

This study has shown that the fate of natural resource levy reform rests with the outcomes of legislative coalitional battles between civilian and military allies. The comparative case analysis reveals the importance of differences in coalitional strength—ones which stand out against a background of commonalities between Ecuador and Chile. These are nations whose militaries both emerged from authoritarian rule strengthened and able to exert considerable influence over the transition to democracy. They both retained large natural resource rents and lavish budgets in economies reliant on mineral production and exports, but these militaries differed appreciably in their ability to defend their natural resource rents.

In Ecuador, the military erred in not taking coalition formation seriously enough after leaving office in 1979. Instead, it had put its faith in its own institutional, coercive power, the fact that the defense cabinet portfolio had been reserved for military officers alone, and the historical difficulties civilians had in forging their own coalitions in a fragmented multi-party system. These proved to be miscalculations, as President Correa appointed Ecuador's first civilian defense minister in 2007, stitched together a new, more ideologically coherent coalition centered around his AP Party, and earned a majority vote in the constituent assembly. All their historic institutional power and autonomy could not compensate for the fact that the armed forces lacked legislative allies with which to compete against Correa's coalition. Thus, they could only watch from the sidelines as the AP-led coalition within the constituent assembly eliminated the oil levy.

In Chile, by contrast, the military understood early on the importance of having party allies. The rightist *Alianza* coalition was ideologically coherent and generally held together well through the years of democratic rule as it did legislative battle with the center-left coalition *Concertación*. However, the military's institutional power would weaken with continued revelations of human rights abuses at the hands of the former military regime, Pinochet's own legal predicaments, and electoral calculations made by the *Alianza* parties that convinced them that compromise with the *Concertación* on some issues might be advantageous. Ironically, those same electoral calculations drove them to defend the military and its levy, to avoid a politically costly, public defense of exorbitant military expenditures within the congress.

The results suggest that, regarding post-authoritarian civil-military power relations, coalitional dynamics are central. Relations are not immutable, even in countries with politically potent armed forces once capable of intimidating their opponents. A military's leverage and political power can be weakened by depriving it of off-budget natural resource revenues when civilians are determined to forge coalitions among like-minded legislative political parties. With those coalitions in place, civilians can force unwanted change upon their military subjects who, confined to the same democratic institutions and rules of the game as their opponents, must accept the outcome.

Further investigation beyond these countries is warranted. Generalizations about the impact of legislative coalitions on military interests and behavior cannot be made based on this two-nation comparative, process-tracing study. The results, however

suggestive, do open fruitful lines of inquiry into a topic that has received scant attention in the past. Because many resource-rich post-authoritarian states, across several continents, make compulsory contributions to military coffers from mineral export revenues, it would be fruitful to analyze how and whether levies were either sustained, reduced, or annulled through coalitional politics. A wider cross-national, cross-regional study could generate firmer conclusions, with important implications for civilian control, social redistribution, economic development, and security.

NOTES

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